



Audit

Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE RELOCATION OF
DEPLOYABLE MEDICAL SYSTEMS TO
HILL AIR FORCE BASE, OGDEN, UTAH

Report No. 97-179

June 26, 1997

19991019 129

Department of Defense

DTIC QUALITY INSPECTED 4

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

AB100-01-0236

Additional Copies

To obtain additional copies of this audit report, contact the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch, Audit Planning and Technical Support Directorate, at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

Inspector General, Department of Defense
OAIG-AUD (ATTN: APTS Audit Suggestions)
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@DODIG.OSD.MIL; or by writing the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of each writer and caller is fully protected.

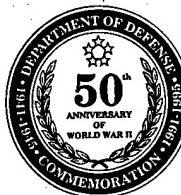
Acronyms

AFB
BRAC
DEPMEDS
DLA
MILCON

Air Force Base
Base Realignment and Closure
Deployable Medical Systems
Defense Logistics Agency
Military Construction



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**



June 26, 1997

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DEPUTY UNDER SECRETARY OF DEFENSE
(LOGISTICS)
DIRECTOR, DEFENSE LOGISTICS AGENCY**

SUBJECT: Audit Report on the Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah (Report No. 97-179)

We are providing this report for your review and comments. This report is one in a series of reports about Defense base realignment and closure military construction costs. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all recommendations and potential monetary benefits be resolved promptly. The Under Secretary of Defense (Comptroller) generally agreed with Recommendation 1., but deferred action until the Army decides where to locate the deployable medical system mission. The Under Secretary will review the projects and make adjustments during the fall budget process. Comments from the Director, Defense Logistics Agency, were received too late to be considered in preparing the final report. We will consider those comments as management's response to the final report, unless the Director submits additional comments by August 26, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Michael A. Joseph, Audit Program Director, or Mr. Michael F. Yourey, Audit Project Manager, at (757) 766-2703. See Appendix C for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-179
(Project No. 7CG-5002.13)

June 26, 1997

Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah

Executive Summary

Introduction. This audit was required by Public Law 102-190, "National Defense Authorization Act of Fiscal Years 1992 and 1993," December 5, 1991, and it was requested by the Deputy Under Secretary of Defense (Logistics). This report is one in a series of reports about FY 1998 Defense base realignment and closure (BRAC) military construction costs. The report provides the results of the audit of construction of a general purpose warehouse and an outside storage lot at Hill Air Force Base, Utah, as a result of the closure of Defense Depot Ogden, Utah.

As part of its initial FY 1997 budget submission, the Defense Logistics Agency requested about \$12.6 million in Defense Base Closure Account funds to renovate two warehouses at Hill Air Force Base. However, in March 1996, the Defense Logistics Agency withdrew the request because of significant changes in the cost and scope of the project. In its FY 1998 budget submission for Defense Base Closure Account funds, the Defense Logistics Agency requested \$39.4 million for construction of a general purpose warehouse and an outside storage lot.

Audit Objectives. The overall audit objective was to determine the accuracy of Defense BRAC military construction budget data. The specific objectives were to determine whether the proposed projects were valid Defense BRAC requirements; the decision for military construction was supported with required documentation, including an economic analysis; and the economic analysis considered existing facilities. We did not assess the adequacy of the management control program as part of this audit because it will be discussed in a summary report on FY 1998 Defense BRAC military construction budget data.

Audit Results. The Defense Logistics Agency supported the \$31 million general purpose warehouse and the \$8.4 million outside storage lot with required documentation, including an economic analysis that properly considered options to new construction. However, the projects may not be valid Defense BRAC requirements because the Army may not move the deployable medical system mission to Hill Air Force Base. Administratively withholding funding until the Army decides where to locate the deployable medical systems mission will ensure that \$39.4 million in Defense Base Closure Account funds are used for only valid BRAC requirements and could result in the funds being put to better use.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) withhold the Defense BRAC military construction funds and that the Director, Defense Logistics Agency, defer the construction project until the Army decides on the location of the deployable medical systems mission.

Management Comments. The Under Secretary of Defense (Comptroller) agreed with the recommendation to withhold funding, but deferred action pending the Army decision on whether to locate the deployable medical system mission to Hill Air Force Base. Comments from the Director, Defense Logistics Agency, were received too late to be considered in preparing the final report.

The Office of the Surgeon General, Department of the Army, concurred with the recommendation to withhold funds for construction until it decides where to locate the deployable medical systems mission. However, the Army was concerned that Defense Base Closure Account funds would be reprogrammed and sufficient funding would not be available to move the deployable medical systems mission, regardless of its final disposition. The Army also wanted to avoid any unnecessary delays and allow the Defense Logistics Agency to continue with design and planning work. The Defense Logistics Agency comments were received too late to be included in the report. The Agency generally concurred with the recommendations. See Part I for a summary of all management comments and Part III for the complete text of management comments.

Audit Response. We consider comments from the Under Secretary of Defense (Comptroller) to be responsive to the recommendation to withhold funding. Comments from the Director, Defense Logistics Agency, on the draft report recommendation to defer the construction projects will be considered as the response to the final report, unless additional comments are provided by August 26, 1997.

We agree with the Army comments that Defense Base Closure Account funds will be required regardless of the mission's location. However, if the Army decides not to move the mission to Hill Air Force Base, the Defense Logistics Agency will have to withdraw its funding request for \$39.4 million for the two projects. DoD is prohibited from using funds intended for one military construction project for another. We also agree that the Defense Logistics Agency should continue with limited planning and design work, to avoid any unnecessary delays. We also believe that the Army was prudent in initiating a study to determine whether there are other cost-effective ways to perform the deployable medical system mission.

Table of Contents

Executive Summary	i
Part I - Audit Results	
Audit Background	2
Audit Objectives	2
Deployable Medical Systems Construction Requirements	3
Part II - Additional Information	
Appendix A. Audit Process	8
Appendix B. Background of Defense Base Realignment and Closure	9
Appendix C. Report Distribution	11
Part III - Management Comments	
Under Secretary of Defense (Comptroller) Comments	14
Department of the Army Comments	15

Part I - Audit Results

Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing audits of Defense base realignment and closure (BRAC) projects. This report is one in a series of reports about FY 1998 BRAC military construction (MILCON) costs. Further, in December 1996, we received an audit request from the Deputy Under Secretary of Defense (Logistics) to determine why a BRAC MILCON project was scheduled for Hill Air Force Base (AFB) when it had an excess production capacity for depot maintenance. For additional information on the BRAC process and overall scope of the audit of BRAC MILCON costs, see Appendix B.

In September 1995, the Defense Logistics Agency (DLA), in its FY 1997 BRAC budget submission to DoD, included a project to renovate two buildings at Hill AFB at a cost of \$12.6 million. The project would have provided about 440,000 square feet of operational and storage space in buildings 830 and 840, and about 2.8 million square feet of outside storage for deployable medical systems (DEPMEDS) containers. DLA withdrew the project in March 1996 because of planned changes that significantly changed the cost and scope of the project.

Audit Objectives

The overall audit objective was to determine the accuracy of Defense BRAC MILCON budget data. The specific objectives were to determine whether the proposed projects were valid Defense BRAC requirements; the decision for MILCON was supported with required documentation, including an economic analysis; and the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective. We did not assess the adequacy of the management control program as part of this audit because the management control program objective will be discussed in a summary report on FY 1998 Defense BRAC MILCON budget data.

Deployable Medical Systems Construction Requirements

Although DLA adequately justified the construction requirements, DLA planned to construct a general purpose warehouse and an outside storage lot at Hill AFB that may not be valid Defense BRAC requirements. The construction may not be valid because the Army was considering not moving the DEPMEDS mission to Hill AFB. Deferring the construction projects until the Army decides where to relocate the DEPMEDS mission will ensure that an estimated \$39.4 million in Defense Base Closure Account funds are used for only valid BRAC requirements.

DEPMEDS Mission

Composition of DEPMEDS. The DEPMEDS are standardized modular field hospitals that can be pre-positioned in the event of a contingency, national emergency, or war operations. The Army has 71 DEPMEDS in its inventory. In December 1986, the Army entered into a memorandum of understanding with DLA to provide for the receipt, assembly, quality assurance, and shipment or storage of DEPMEDS. DEPMEDS are generally stored, shipped, and assembled using International Standardization Organization and military shipping containers. The International Standardization Organization shipping containers are used in DEPMEDS as self-contained hospital facilities, such as pharmacies; radiology labs; and surgery clinics. Military shipping containers store supplies to be used in the hospital facilities. The mission for which the DEPMEDS is deployed determines the size and type of hospital. A typical Army DEPMEDS has about 50 to 80 containers, supporting about 300 to 500 hospital beds. DLA is continually replacing, revitalizing, and upgrading the 71 DEPMEDS in the Army inventory.

Location of DEPMEDS. Of its 71 DEPMEDS, the Army stores 36 as reserve hospitals at Defense Depot Ogden, Utah. The Army pre-positions the remaining 35 DEPMEDS worldwide as war reserves. DLA reported to the 1995 Defense Base Closure and Realignment Commission (the Commission) that there was sufficient space available at Hill AFB and there would be no costs involved to relocate the mission to Hill AFB. Subsequently, the Commission recommended closing the Defense Depot Ogden, Utah. As a result of the 1995 BRAC decision to close the Defense Depot Ogden, the Army planned to move the DEPMEDS storage and assembly functions to Hill AFB about 20 miles from the Defense Depot Ogden.

Construction Plans

The DLA planned to construct a 403,000-square foot general purpose warehouse at Hill AFB estimated to cost \$31 million; and a 3.3 million-square foot outside storage lot estimated to cost \$8.4 million. The warehouse would satisfy DEPMEDS operational space needs, to include the assembly; disassembly; and maintenance of DEPMEDS. The outside storage lot would be used to store DEPMEDS, empty containers, and associated equipment. The general purpose warehouse project included about \$327,000 for minimal upgrades to building 830 for inside storage. In addition to the BRAC projects, DLA planned to use its traditional MILCON funds to satisfy storage space needs for DEPMEDS materiel. As of February 1997, DLA occupied 10 buildings at Hill AFB, totaling about 2.5 million gross square feet of warehouse space.

Operational Space Needs. The DLA adequately justified the operational space needed to support the DEPMEDS mission. In FY 1997, DLA used about 533,000 square feet of inside space at the Defense Depot Ogden to accomplish the DEPMEDS operational mission. In November 1996, DLA headquarters requested its Operational Support Office to conduct an industrial engineering study to validate the warehouse requirement. On March 7, 1997, the Operational Support Office issued a draft report, "Analysis of DEPMEDS Facility Requirements," that concluded, based on U.S. Army Medical Materiel Agency requirements to assemble; disassemble; and maintain about 10 DEPMEDS per year, the mission requires about 400,000 square feet of operational space.

Outside Storage Space Needs. The DLA adequately justified the outside storage space needed to support the DEPMEDS mission at Hill AFB. Based on the DEPMEDS requirements (size of the DEPMEDS containers, number of containers expected to be stored, aisle space needed, and associated equipment), DLA determined that a 3.3 million-square foot outside storage lot was needed at Hill AFB for the DEPMEDS mission. The project costing about \$8.4 million, would consist of a 2.8 million-square foot gravel lot and a 0.5 million-square foot concrete roadway. We validated the outside storage requirements and also determined that there were no outside storage lots available at Hill AFB.

Alternatives to New Construction

We reviewed facilities planning records dated October 1995 through July 1996; held discussions with the Vice Commander, Hill AFB; and inspected the facilities to determine whether excess production space at Hill AFB invalidated the need for the BRAC MILCON projects. In anticipation of closing or consolidations of the air logistics centers, the Air Force prepared the "Depot Maintenance Strategic Management System" report that identified logistic production capacity by direct labor hours and work center assignments. The report showed that Hill AFB was at about 50 percent of production capacity. In February 1997, the Vice Commander, Hill AFB, disclosed that production

capacity was about 54 percent of total capacity. We determined that the excess production capacity would not be suitable for use as general purpose warehouse space because the excess production space encompasses avionics hydraulic shops and large maintenance facilities used to overhaul and replace large aircraft weapon systems. Inspection of the excess production space showed that the excess production capacity would not satisfy the BRAC requirements.

Location of the DEPMEDS Mission

The Army was considering relocating the DEPMEDS mission to a location other than Hill AFB. In FY 1997, because of increases in the costs of reimbursing DLA, the U.S. Army Medical Materiel Agency began to look for more cost-effective ways of satisfying DEPMEDS requirements. In FY 1997, DLA increased its assembly surcharge rates from \$33 per hour to \$67 per hour. In FY 1998, the Army also will pay a storage cost recovery rate of about \$7 per square foot for storing Army owned material at DLA facilities. Both of those costs were in addition to the standard DLA surcharge that was included in the price of items purchased through DLA. Further, DLA was proposing to charge the Army for base services if the mission moves to Hill AFB. The Army programmed about \$16 million for the FY 1998 DEPMEDS program. Because of the cost increases, the U.S. Army Medical Materiel Agency increased its FY 1998 funding requirement to about \$52 million, resulting in a program shortfall of about \$36 million.

In December 1996, the U.S. Army Medical Materiel Agency initiated a study to determine the most cost-effective method for the Army to accomplish its DEPMEDS mission. The U.S. Army Medical Materiel Agency tasked the contractor to perform a study by June 30, 1997, to review the program; define potential contractual, organizational, and business reengineering options; and to develop decision criteria for the selection of one or more options. If the study shows that DLA is not the most efficient method to perform the mission, the Army could decide to perform the DEPMEDS mission at a location other than Hill AFB.

We believe funding for the DEPMEDS construction projects at Hill AFB should be withheld until the Army decides whether to move the DEPMEDS mission to Hill AFB. If the Army decides to relocate the DEPMEDS mission to Hill AFB, the Under Secretary of Defense (Comptroller) should release the funds for the BRAC construction projects. However, if the Army decides not to move the mission to Hill AFB, the Under Secretary of Defense (Comptroller) could reprogram the \$39.4 million of Defense Base Closure Account funds for other valid BRAC projects.

Recommendations, Management Comments, and Audit Response

- 1. We recommend that the Under Secretary of Defense (Comptroller) withhold \$39.4 million of Defense Base Closure Account funds supporting the Hill Air Force Base general purpose warehouse (\$31 million) and the outside storage lot (\$8.4 million) until the Army decides where to locate its deployable medical systems mission.**

Under Secretary of Defense (Comptroller) Comments. The Under Secretary generally agreed with the finding and recommendation. Because Congress has not appropriated the \$39.4 million of Defense Base Closure Account funds for FY 1998, the Under Secretary will review the projects and make the appropriate adjustments during the fall budget process.

Army Comments. Although not required to comment, the Army agreed that DLA should not proceed with construction until the Army decides where to locate the deployable medical system mission. The Army further stated that our report indicates that Defense BRAC funds (\$39.4 million) associated with the construction planned at Hill AFB may have to be reprogrammed to other valid requirements. The Army emphasized that although not Army MILCON, BRAC funds will be needed regardless of the location of the deployable medical system mission. The Army is concerned that if funds are reprogrammed, sufficient funding may not be available. The Army also stated that DLA should continue with design and planning work to preclude any unwarranted delays in relocating. Additionally, the Army stated that the Inspector General, DoD, did not clearly indicate support for the independent Army analysis that would address where to locate the mission.

Audit Response. We recognize that BRAC funding will be required regardless of where the mission is relocated. Because the requirements will change if the mission is not moved to Hill AFB, DLA would have to withdraw its \$39.4 million funding request for the two projects. Also, the Army would have to determine BRAC funding requirements for the new location. If it is determined that a construction project is needed, a new funding request would have to be submitted. We agree that until the Army decides where to locate the deployable medical systems mission, DLA should continue with limited planning and design work. We believe the Army was prudent in initiating an analysis to determine whether more cost-effective options are available for accomplishing the deployable medical systems mission.

- 2. We recommend that the Director, Defense Logistics Agency, defer the general purpose warehouse and the outside storage lot projects until the Army decides where to locate the deployable medical system mission.**

Defense Logistics Agency Comments. The DLA comments on a draft of this report were received too late to be considered in preparing the final report. We will consider the comments received as the response to the final report, unless further comments are received. DLA agreed not to program construction funds until it has a commitment from the Army to locate the DEPMEDS at Hill AFB.

Part II - Additional Information

Appendix A. Audit Process

Scope of This Audit. We examined the FY 1998 Defense BRAC MILCON budget request, and documentation supporting space requirements for the projects to relocate the DEPMEDS mission from the Defense Depot Ogden to Hill AFB. We reviewed architectural drawings and floor plans of existing space; correspondence; cost data; economic analysis; facility planning documents; to include an industrial engineering study performed by DLA Operations Support Office; historical and projected work load; project proposals; and records and reports used to justify the project, dated from October 1995 through March 1997. We did not use computer-processed data or statistical sampling procedures to conduct this audit. In addition, we followed up on the Deputy Under Secretary of Defense (Logistics) memorandum, December 9, 1996, that requested we determine why a Defense BRAC MILCON project was planned for Hill AFB when it had excess production capacity for depot maintenance. The request was consistent with our previously announced audit objectives that satisfy Public Law 102-190, "National Defense Authorization Act of Fiscal Years 1992 and 1993," December 5, 1991 (see Appendix B).

Audit Period and Standards. This economy and efficiency audit was conducted from January through April 1997 in accordance with the auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available upon request.

Prior Audits and Other Reviews. Three summary reports have been issued for the audits of Defense BRAC budget data for FYs 1992 through 1996. The summary reports list individual projects. Since April 1996, numerous additional reports have been issued that discuss Defense BRAC budget data for FYs 1997 and 1998. Details on the reports are available upon request.

Inspector General, DoD, Report No. 96-116, "Audit of Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah," May 10, 1996, reported that DLA did not adequately support the BRAC MILCON requirement for the relocation of the DEPMEDS mission. DLA originally planned to use \$12.6 million in BRAC MILCON funds to repair two warehouses at Hill AFB to accommodate the DEPMEDS mission. Because we found significant changes in the cost and scope of the project, DLA withdrew the project from its FY 1997 BRAC budget submission and resubmitted the project in its FY 1998 BRAC budget submission.

Appendix B. Background of Defense Base Realignment and Closure

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The public law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1998 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Appendix B. Background of Defense Base Realignment and Closure

Overall Audit Selection Process. We reviewed the FY 1998 BRAC MILCON budget, totaling \$354.3 million, submitted by the Military Departments and the DLA. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed those FY 1997 BRAC MILCON projects that were not included in the previous FY 1997 budget submission, but were added as part of the FY 1998 BRAC MILCON budget package.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology

 Deputy Under Secretary of Defense (Logistics)

 Director, Defense Logistics Studies Information Exchange

Under Secretary of Defense (Comptroller)

 Deputy Chief Financial Officer

 Deputy Comptroller (Program/Budget)

Deputy Under Secretary of Defense (Industrial Affairs and Installations)

 Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and
 Installations)

Assistant Secretary of Defense (Health Affairs)

Assistant Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)

Auditor General, Department of the Navy

Superintendent, Naval Post Graduate School

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)

Auditor General, Department of the Air Force

Appendix C. Report Distribution

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Commander, Defense Distribution Region West
Commander, Defense Distribution Depot Ogden
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center
Health, Education, and Human Services

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Subcommittee of Military Construction, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice,
Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



COMPTROLLER
(Program/Budget)

June 13, 1997

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Draft Audit Report on the Defense Base Realignment and Closure (BRAC)
Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force
Base, Ogden, Utah (Project No. 7CG-5002.13)

This responds to your memorandum of May 19, 1997, requesting our comments on the subject report.

The audit recommends that the Under Secretary of Defense (Comptroller) withhold \$39.4 million to construct a general purpose warehouse and an outside storage lot at Hill Air Force Base, Utah, from the Defense Logistics Agency until the Army decides on the location for the deployable medical systems mission.

The \$39.4 million associated with these BRAC projects is included in FY 1999 and FY 2000 of the Future Years Defense Program supporting the FY 1998 President's budget request and has not been appropriated. We generally agree with the audit and recommendations. However, since these funds will not be appropriated by the Congress this year, we will review these projects and make appropriate adjustments during the fall budget process.

Henry R. Sodano
Henry R. Sodano
Director for Construction

Department of the Army Comments



REPLY TO
ATTENTION OF

DASG-LOZ

DEPARTMENT OF THE ARMY
OFFICE OF THE SURGEON GENERAL
5100 LEESBURG PIKE
FALLS CHURCH VA 22041-3258

16 June 1997

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE,
ATTN: LOGISTICS SUPPORT DIRECTORATE,
400 ARMY NAVY DRIVE, ALEXANDRIA, VA 22202-2884

SUBJECT: Concerns on Draft DODIG Report: Defense BRAC Budget Data
of DEPMEDS to Hill AFB

1. This office has reviewed and concurs with comments and
recommendations provided by U.S. Army Medical Materiel Agency
with respect to subject report.

2. Point of contact is the undersigned, (703) 681-8065.

FOR THE SURGEON GENERAL:

Attachment

Stuart A. Mervis
STUART A. MERVIS
Colonel, MS
Director of Logistics

Printed on Recycled Paper

Department of the Army Comments



DEPARTMENT OF THE ARMY
U.S. ARMY MEDICAL MATERIALS AGENCY
FREDERICK, MARYLAND 21702-5001

RPLY TO
ATTENTION OF:



MCMR-MMZ-A (700)

Concerned 9 June 1997

MEMORANDUM FOR Commander, USAMRMC, ATTN: MCMR-IR, 504 Scott Street,
Fort Detrick, MD 21702-5012

SUBJECT: Concerns on Draft DODIG Report: Defense BRAC Budget Data of DEPMEDS
to Hill AFB

1. Reference draft report dated 19 May 1997, Project No. 7CG-5002.13, Subj: Defense BRAC
Budget Data of DEPMEDS to Hill AFB.

2. Based on my review of the subject draft report, the following comments are offered to provide
clarification and preclude confusion on some critical points.

a. Of utmost concern, the report indicates that \$39.6 million of BRAC funds could be
reprogrammed from Hill AFB to other valid BRAC projects. It is important to clearly establish in
the report that BRAC funding will be required to move the DEPMEDS project regardless of its
final disposition. Although not MCA funding, reallocation of DEPMEDS-related BRAC dollars
must be first and foremost to the DEPMEDS movement effort. Regardless of the relocation
decision, the Army Medical Department cannot accomplish movement of the DEPMEDS
operation without BRAC funds.

b. For clarification, the report recommendations should restate the time frame projected for
completing the Army analysis of options. Completion of the analysis is expected in the very near-
term and will require the participation and support of DLA.

c. Further, the report and recommendations do not address the potential impact on planning
or future availability of funds if deferred. This Agency agrees that DLA should not proceed to
construction until we determine the best location option. However, DLA should proceed with
design and planning to preclude any unwarranted delay in relocating to Hill AFB, should it be the
option selected.

d. Last, although implied, the report does not clearly indicate support for the independent
Army analysis as stated during meetings with the auditors and as initially recommended by the
DODIG to DLA. This endorsement is important in gaining DLA support to consider more
economical options.

Department of the Army Comments

MCMR-MMZ-A

SUBJECT: Concerns on Draft DODIG Report: Defense BRAC Budget Data of DEPMEDS
to Hill AFB

3. POC is undersigned at DSN 343-7461 or 301-619-7461.

Darryl W. Lloyd
DARRYL W. LLOYD

Colonel, MS
Commanding

Audit Team Members

This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Shelton R. Young
Michael A. Joseph
Michael F. Yourey
Scott J. Grady
Christine S. Bowles
Danny O. Hatten
Elmer J. Smith

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah

B. DATE Report Downloaded From the Internet: 10/19/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: VM **Preparation Date** 10/19/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.